

# JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE

## NEWS

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## *Audit Findings Aid Recovery of Millions in State Pension Funds*

Recommendations from the 1992 LBC audit of the State Investment Board (SIB) continue to reap financial benefits for the state of Washington.

The audit found that problems such as conflicts of interest and improper contracting procedures were fairly

extensive. Recent events include a \$230,000 repayment to the SIB by a venture capital manager for improper expense charges, and a tentative \$140 million settlement payment to the SIB by a real estate investment management firm. This

See **SIB** on page 2

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## New Legislation Aims for More Accountability

The legislature added to the oversight role of the Joint Legislative Audit and Review Committee (JLARC—formerly the Legislative Budget Committee) last session through the passage of two bills, E2SHB 2222 and ESSB 6680.

As part of Washington State's progress towards performance-based government, the legislation gave the committee new authority to facilitate the implementation of performance measurement throughout state government. It also enhanced the performance audit role of the committee.

These bills aim to increase government accountability by establishing strategic planning principles and by emphasizing the integral role of evaluation. All agencies will establish goals and objectives and develop corresponding performance measures by which program results can be evaluated. The Office of Financial Management (OFM) will develop a plan to merge the budget development process with agency strategic plans and performance measures.

**Performance  
Measurement  
Plays Key  
Role**

While the mission and operation of JLARC remain essentially unchanged, the new legislation clarifies in statute some audit procedures. For example, the committee will establish a biennial audit work program which will be submitted to the legislature beginning in 1997. The committee is folding the new mandates into its strategic plan and is coordinating with other legislative committees and OFM to meet legislative intent.

# ***SIGNIFICANT SAVINGS POTENTIAL EXISTS WITH JLARC CAPITAL PLANNING MODEL***

A capital planning model developed by JLARC has been integrated into the Governor's Capital Plan Instructions, creating the opportunity for substantial cost-savings to the state. Use of this decision-making tool is now required of all state agencies.

By providing a better evaluation of the short- and long-term costs of owning versus leasing facilities, the model will enable agency decision-

makers to choose the most cost-effective and efficient option. It will also provide state legislators with easily accessible information about the capital costs of the projects they are asked to approve.

Examples from JLARC's 1995 performance audit of agency capital planning and budgeting show that use of the model could produce savings ranging from hundreds of thousands to millions of dollars annually. The model was used in this audit to evaluate the economics of past and current state projects. Recognizing the tool's potential usefulness for agency planning, it was refined by the Department of General Administration and field-tested by the Office of Financial Management (OFM).

Incorporating this model into the Capital Plan Instructions is one of several steps OFM is taking to implement recommendations from JLARC's 1995 Capital Planning and Budgeting audit (Report No. 95-16).

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## ***SIB, continued from page 1***

is the largest recovery of public pension funds in state history.

The Board, which manages a fund worth over \$27 billion, is undergoing another performance audit by the Office of the State Auditor (SAO). JLARC has advisory review responsibility and has helped the SAO select a consultant to conduct the audit.

## **COMMITTEE MEETING SCHEDULE**

Olympia meetings are held in Hearing Room 1, John A. Cherberg Building. SeaTac meeting locations will be announced. Meetings start at 10:00 a.m.

September 18	Olympia
November 8	Olympia
December 16	SeaTac
January 10	Olympia

## ***NO JUSTIFICATION FOR NEW SCHOOL BUS FUNDING CATEGORY***

Following the completion of a comparative cost-benefit study, the Joint Legislative Audit and Review Committee found that there is no clear cost or performance advantage between front and rear-engine transit style school buses. The study was mandated by the legislature this year.

The findings show insufficient evidence that either style of bus will necessarily produce a significant cost-savings over the other, either initially or over the life of the bus. The findings therefore do not support the creation of a new funding category for rear-engine buses, and JLARC recommends no change to the present funding system.

The state currently provides funds to school districts to replace buses that have reached the end of their useful lives, purchasing approximately 450 buses annually. During the 1996-97 school year, the Superintendent of Public Instruction expects to pay the districts \$18 million.

The final report will be presented at the committee's September 18, 1996 meeting.